WHEAT: WORLD MARKETS AND TRADE

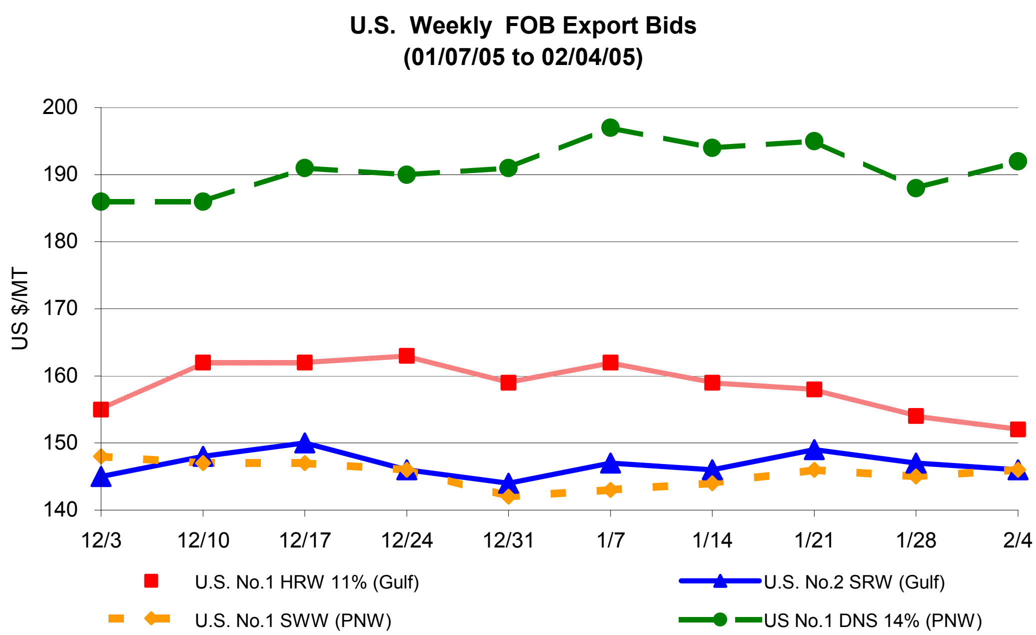
MONTHLY HIGHLIGHTS:

European Union Restarts Export Subsidies: After a nearly 2-year hiatus, the European Commission has resumed export subsidies for wheat. The first awards were for a maximum of 4 euros per ton (about $5), for licenses covering 134,000 tons against an open tender of 2 million tons. These licenses were reportedly needed to cover existing sales, whereas future subsidy bids are likely to be higher to cover new sales against strong competition.

PRICES:

Domestic: Wheat prices have trended downward during the 4 weeks ending February 4. Stronger competition (particularly aggressive Argentine sales), the EU reinstating subsidies for export tenders, and prospects for large global crops all pressured prices. DNS declined only slightly because of strong basis due to logistical problems in the Northern Plains.

For the week ending February 4, compared to a month earlier, average HRW prices were $10 a ton lower, while SRW was $1 a ton lower. HRS prices dropped $5 a ton, while SWW increased $3 a ton.



TRADE CHANGES IN 2004/2005

Selected Exporters

- **Argentina** up 1.0 million tons to a near-record 11.5 million, with strong old crop exports and robust new crop sales to a variety of Mediterranean and even Asian markets.

- **Kazakhstan** down 500,000 tons to 3.5 million with a slow pace of sales, most of which have been to neighboring Russia.

- **Romania** down 200,000 tons to 300,000 because of sluggish sales and competition from nearby suppliers.

- **United States** up 500,000 tons to 27.0 million with a strong export pace and robust demand for high quality wheats.

Selected Importers

- **EU-25** up 500,000 tons to 5.5 million due to stronger than expected demand for high quality wheats.